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WHAT WILL BRING PROSPERITY?

BY CHARLES STEWART SMITH AND FRANCIS B. THURBER.

I.

THE commercial and industrial returns of the United States for the past four years show a very low average of prosperity, and during 1896 the gains from business pursuits have well nigh touched the zero point. Contrary to the general expectation, these conditions have not changed for the better since the presidential election in November last, and the volume of general business is so reduced that employment for capital is difficult and unremunerative. This state of things is reflected in the money market of New York City, where the ruling interest rates for money at this date are $1\frac{1}{2}$ to 2 per cent. on call and 3 to $3\frac{1}{2}$ on four to six months' loans.

In marked contrast to the condition of business in our country, the boards of trade and government reports prove that the past year in Great Britain has been one of unusual prosperity. For several months past and for the first time to any considerable extent in the history of our transactions with the great financial centres in Europe, the banks of this city have loaned millions of dollars to European bankers upon bills of exchange as collateral, drawn abroad and accepted and made payable here by the agents of foreign bankers. This new development in our exchanges is temporary and is due to our small importations and low rates for money consequent upon trade depression at home and better business conditions abroad.* "Bad times" in the

* This movement began immediately after the presidential election and was due to the fact that the European rate of discount ruled from three to five per cent., while the rates here on first-rate collaterals at the same period were about two per cent. The maximum amount loaned to the foreigners was estimated at \$75,000,000, and certainly exceeds \$60,000,000. The total sum now outstanding is about \$20,000,000 in consequence of the reduced discount rates abroad. The European bankers who were generally lenders of money to this country became borrowers here, and found considerable profit in these transactions.

United States have usually been the sequence of panics, over-trading, speculations, bad crops, and like causes. As a rule the attack has been acute and the recovery rapid, but the long-continued depression still prevailing has assumed chronic symptoms. While I am aware that little that is new can be said upon this subject, yet a candid and rational inquiry into the causes of our present unusual position may suggest appropriate remedies.

A general answer to the "why" suggested in the foregoing would be that want of confidence, uncertainty, and distrust of the future have paralyzed business energy and caused timidity as to all new enterprises; men have said and acted upon the theory that "until times improve, we don't expect to make money; we are only trying to pay expenses and save previous accumulations." A more careful and detailed consideration of existing conditions would reveal the fact that we commenced the easy and downward path when Congress, backed by an unwise sentiment largely prevalent in the South, inaugurated the policy of aiding the owners of silver mines by buying their product and storing it in the Government vaults.*

For more than a third of a century we had found a permanent market abroad for a majority of our railroad bonds and other securities. Foreign investors have watched with anxiety for years past the growing silver craze, which culminated in the adoption of Bryanism by the Democratic party. And, as an inevitable result, the usual foreign demand for American securities ceased long since as an investment; previous holdings were returned, and the drain of gold from this country threatened serious disaster. American securities have, since the silver agitation, been bought and sold in Europe on speculation only.

Whatever may have been the criticisms and political animosities regarding the administration of ex-President Cleveland, yet the calm verdict of history will do justice to the heroic defence by the President and Secretary Carlisle of the nation's honor and credit, and to their determined opposition to the debasement of our money.

* March 1, 1897. Amount silver in Treasury :	
Dollars	391 millions
Smaller coins	15 "
Silver bullion.....	109 "
Amount in circulation :	
Dollars	55 "
Smaller coins.....	64 "

The experience of the Treasury Department proves that it is impossible to force over 60 millions of standard silver dollars into circulation.

Although sound-money ideas prevailed in the late election, yet the result was not absolutely decisive as to the future, because of the large adverse vote, and because the party now holding the reins of power are aiding the silver agitation by encouraging the idle dream of international bimetallism, for it is certain that neither England nor Germany will ever adopt this heresy. That there is danger still ahead is apparent in the renewed organization and activity of sound-money clubs, and the declarations and note of alarm sounded by the very important Sound Money Convention recently held in Indianapolis. If the foregoing statements are true, then the inference must be accepted, that *a single gold standard as a measure of values firmly established beyond peradventure is the first requisite to business revival.*

We must stop continual tariff agitation and let merchants and manufacturers have peace and time to adjust their operations to existing conditions without constraint, change, or fear of change. It is true that the people of the United States prefer that the revenues of the Government should be derived from indirect taxation, *i. e.*, through the Custom House. It is equally certain that we must have revenue enough to pay expenses without borrowing. An increase of the existing tariff which will afford this relief will give us all the protection which we need or should ask for in the mutual interest of both producer and consumer. The tariff question should be settled as quickly as possible, and the determination of the President to call an extra session of Congress is wise. Financial legislation, however, should not be neglected during the extra session. If Congress should pass an act providing that the word "coin" used in reference to all Government obligations, whether principal or interest, should be interpreted to mean "gold," it would go far to help the situation both at home and abroad. The Secretary of the Treasury should be required to cancel gradually (say extending over a period of three years) all greenbacks when received in his department, but as this might cause confusion in bank reserves, some legislation and amendment of the Banking Act would be necessary. That this whole question of the currency should be referred to a committee of experts is a most wise suggestion by the President.

The President has in his late message referred to the subject of "Trusts." He could hardly avoid it. It is in the air. This subject is far reaching. It demands and will have a candid con-

sideration of the respective claims of capital and labor and the interest of the consumer.

Dr. Fairbairn, of Mansfield College, Oxford, England, well said :

"Economics may tell that either rent, or interest, or wages may rise or fall ; but it belongs to ethics to say which of these has the prior right to consideration in the adjustment of the upward or downward scale. Questions between classes are never merely class questions, and what depresses the standard of living in any one class lowers the level and worth of life throughout the community as a whole. Legislation should seek to deal justly with both classes—with the demand of the men for a living wage, and for the masters for guarded property and fair profits."

Herbert Spencer says with equal force :

"For however great the degree of evolution reached by an industrial society, it cannot abolish the distinction between the superior and the inferior. Whatever arrangements for carrying on industry may in time to come be established, must leave outstanding the difference between those whose character and ability raise them to higher positions and those who remain in the lower. Evidently the aspect of any law differs according as it is looked at from above or below ; the two aspects require to be co-ordinated."

It may not be irrelevant to ask what are trusts or corporations, and what are their relations to the general welfare of the community ? I repeat what I have said in another connection : I believe in 'evolution' ; and corporations or trusts with large aggregations of capital are evolved as a natural sequence from the small beginnings of trade and commerce 100 years ago as the necessary machinery to handle with efficiency and economy the enormous transactions of the world to-day. It is the condition of large progress. This country and all commercial and industrial countries would be one-half a century behind their present position without this evolution of capital. The same cause has produced trade unions and with the same beneficial results to the wage-earners. Both trade unions and corporations are healthy signs of the times. All these associations are limited partnerships upon a large scale to accomplish Nineteenth Century work. No one man can own 50 or 100 ocean-going steamers or build a railroad 3,000 miles long, and the wage-earners cannot successfully compete with organized capital, without a like organization on their part.

There is, no doubt, in the public mind a hostility to corporations. While these institutions have not been without fault, no attempt should be made to widen the breach between capital and

labor, or to illustrate and enforce the Bryan doctrine of hostility to capital upon the part of wage-earners. The Lexow Trust Committee have, unfortunately, taken up and carried forward this part of Bryan's work, where it fell from his hands. Twenty-five years hence this constant attack against organized capital will seem as absurd as were the riots and attempt to destroy mills and machinery half a century ago in England, when the manufacturers of Lancashire and Yorkshire replaced the hand with the power loom.

What we want of our law-makers is to give fair play to honest industry, whether represented by private workers or by organized labor or capital. If present laws are not sufficient, they should be so amended in respect to corporations which affect public interests that there may be an official annual examination in the same manner in which the national and State banks are examined for the protection of their large number of stockholders. The officers and directors should make a sworn statement so plain that any man can understand their condition and operations. If this were done in the same open manner in which it is done in the case of banks, all grounds of hostility to corporations would gradually cease. Secrecy begets distrust in such matters.

Congress at its extra session should be clothed with the power and responsibility of dispelling all doubt as to our circulating medium and other problems which need legislative solution. If this part is performed in Washington wisely and well, the common sense of the people will supply all that is needed to cause agricultural, industrial, and commercial affairs to move again with all the energies of this great nation.

CHARLES STEWART SMITH.

II.

FIRST, confidence; for confidence means credit, and credit means business and exchanges. Ninety-five per cent. of all the business of the country is done on credit, and probably nearly the same proportion of the world's exchanges are effected by credit in some form; hence, the puerility of the talk of the necessity for more money, when, in fact, we simply need more confidence and credit. Shrink the confidence of the country one-third and we shrink the business of the country one-third, or

more than six times the amount of the exchanges effected by all the gold, silver, and paper money in circulation. The effect of this upon the labor of the country is illustrated by the results of financial panics which block all the wheels of industry and throw hundreds of thousands of persons out of employment.

The first step toward prosperity in this country should have been the settlement of our finances on a permanent basis, but the necessities for revenue have pressed the tariff question to the front, and this question has to be first disposed of. It bids fair to be speedily settled at the special session of Congress which has been called by President McKinley and on lines which will be protective to American industries. While protection may be overdone, the majority of the American people evidently believe, with that good man, the late Peter Cooper, that "nothing can be called cheap which leaves our own good raw materials unused and our own labor unemployed!"

So far as the currency question is concerned, if Congress will proceed on the lines recommended by the Indianapolis convention of business men and appoint a non-partisan commission to investigate and report at the next regular session of Congress what is wise and necessary to provide a sound and elastic currency for all parts of the United States, it will probably be the best possible solution of this intricate and many-sided problem.

Second, as a third step to confidence and prosperity, let Congress pass at the present extra session the Torrey Bankruptcy Bill, which was promptly passed by the House of Representatives in the last Congress, but which was "stood up" in the Senate, under the existing rules of that body, by a few Senators who talked away the opportunity of half a million men to earn a living—dismasted craft in the commercial cyclones of the last few years, who have been trying to work into port under jury-masts and refit.

Third, settle the obligations of the Pacific Railroads to the Government on an equitable basis and amend the Inter-State Commerce Act so as to permit pooling—the right of contract which all other citizens and corporations enjoy, and in the absence of which one-third of the railroad mileage of the United States has been forced into the hands of receivers during the last few years, bankrupting thousands of investors, throwing an army of a hundred thousand men out of employment directly,

and indirectly five times that number in collateral industries, besides reducing the wages of millions of workers in almost every department of industry. The transportation interests of this country directly employ three-quarters of a million men. They touch the industrial and commercial interests of the country at every point. The transportation interests of the country are the cutwater to commercial prosperity. Owing to the competition of waterways and unlimited building of railroads, transportation rates have been depressed to an unreasonable point. The people of the United States are to-day getting their transportation for about one-half that of any other commercial nation. The time has gone by when there is ground for any fear of excessive rates for transportation in this country. All we have to guard against now is unjust discriminations which still exist, both as to persons and places. The great majority of both shippers and carriers desire reasonable, uniform, and stable rates for transportation, but the selfish minority of each, in endeavoring to overreach competitors, perpetuate these unjust discriminations, obtain unjustly low rates, and demoralize the great interests, which if placed on a fairly profitable basis would lead all other interests in the march to prosperity.

Fourth, establish an American merchant marine which will be self-sustaining in time of peace and constitute a militia of the seas in time of war. Steamship lines work for their own countries just as trunk lines of railroad work for their termini. The building, repairing, and sailing of ships employs our own labor and utilizes our own materials, besides distributing the products of our fields, forests, mines, and factories to the markets of the world. Let us follow the example of our successful competitors for the world's trade, pay liberally for mail service on the ocean, whether it be called subsidy or by whatever name—*Get there*. This is what we have done on land by "Star Route Service"; why should we not do it on the ocean! If the same principle had been applied to our postal system on land that has been applied on the sea—paying only the amount of postage collected on any particular route—it would have stopped two-thirds of the postal routes in the United States, for only one-third pay a profit.

Under the forces of steam, electricity, and machinery the "Field is the World" in commerce as in religion. There are fourteen hundred and forty millions of people of which we have

seventy ; they all have wants, both natural and educational, and we need a place to dispose of our surplus productions.

A word as to educational wants as distinguished from natural wants is in order. Heretofore the great bulk of our exports have been natural products, the products of agriculture. With the general introduction of steam and electricity, distance and time have been abbreviated and annihilated, and the fertile lands of all the world have been brought into close competition with those of the United States, resulting in the levelling of the values of natural products and the lands which produce them. It is, in a great measure, due to this that our agricultural interests are not more prosperous, and, hence, the necessity of developing to the fullest extent our manufacturing industries, both to create and preserve the home market and supply the educational wants of the world. In explanation of the term "educational wants," I would state that while on a trip around the world some years ago an English manufacturer of cotton goods, who had moved his plant from England to India, was telling me of the great increase of the manufacture of cotton goods at Bombay, and prophesied that they would soon be supplying the entire demand in Eastern countries for cheap cotton goods. I had just come from China, where American fine cottons were taking the market because they had less clay filling, and I remarked : "Well, if the Americans get the market of the East for fine cottons and you get it in the cheaper grades of cotton goods, what are the Lancashire manufacturers going to do?" "Oh," said he, "the mother country will open up Africa and make it the fashion to wear breechelouts." And this is precisely what British diplomacy and British arms have been doing since that time. It also illustrates what I mean by educational wants—wants of fashion. American inventive skill, combined with our command of the great forces of steam, electricity, and machinery, has produced thousands of articles in this country which are so much more convenient and useful than those employed for the same purposes in other countries that all it needs is to bring them to the attention of the consumers of the world and we can get a fair share of the trade of the other thirteen hundred and seventy millions of people who constitute the population of this globe. But it needs intelligent effort, for until a peasant who has been using a crooked stick for a plow has seen something better he is satisfied with the

crooked stick. Our government should develop its consular service, pay a price which will command the permanent service of competent men (not a foreign vacation with expenses only half paid), apply the principles of Civil Service, which, epitomized, are permanency and promotion, the principles which control in every well regulated business, and, with the individual and co-operative effort now being made by manufacturers to extend the market for American products, we will have taken an important step forward toward prosperity.

Fifth, create a department of "Commerce and Manufactures," in the government of the United States, with an officer in the Cabinet like the Secretary of Agriculture. The Secretary of the Treasury is overloaded, as is illustrated by the deaths of three successive secretaries, Folger, Manning, and Windom.

Sixth, let "the common sense of most" abate the rivalries of one-cent sensational journalism, which now invade the sacred precincts of the family, the cradle, and the grave. Make it disreputable and unremunerative. At present it seeks profit by arraying capital against labor and corporations, which are natural allies—not enemies. Neither can thrive permanently while doing an injustice to the other. Rivalries of political organizations to catch the tenement house vote are subject to the same criticism. The wholesale denunciation of Trusts is the denunciation of an economic evolution which is conferring enormous benefits upon the community in general. This has undoubtedly been attended by minor evils, which, with careful study and due deliberation, can be remedied, but it is not good policy to burn down all our houses to get rid of an occasional wasp's nest in the peak. Let capital treat labor fairly and then appeals to prejudice will fall on unwilling ears. Only what is fair and reasonable will bring permanent prosperity to either labor or capital.

FRANCIS B. THURBER.